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Investigations Pick Up As Cryptocurrency Worries Permeate SEC



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 Former Republican SEC Commissioner Dan Gallagher told the gathering: "I'm a free market guy but cryptocurrency is fraught with bad players, bad products."



(Photo by Ulrich Baumgarten via Getty Images)

Cryptocurrency worries are permeating the Securities and Exchange Commission.

The SEC's Enforcement Division already has many cryptocurrency investigations going on, says Enforcement Co-Director Stephanie Avakian. Meanwhile, SEC Chair Jay Clayton predicts there will be more enforcement actions unless players in the

industry change their behavior. Their comments came this weekend during the annual two-day SEC Speaks conference, where leaders of the regulator's major sections said cryptocurrency has become an across-the-board priority.

Earlier this month, Clayton told the Senate Banking Committee of his concerns that the markets for cryptocurrencies and the related Initial Coin Offerings (ICOs) were victimizing investors with poor, incorrect or non-existent disclosure, volatility, manipulation, fraud and theft. So far, no ICOs have registered with the SEC.

(Related: Five Ways To Tell If A Crypto Token Has Merit.)

At SEC Speaks, Robert Cohen, chief of the Enforcement Division's Cyber Unit which is taking the lead in virtual currency investigations, said his section has been very active in bringing cryptocurrency cases in the last couple of months. He said the cyber unit has had an impact addressing existing and potential cryptocurrency fraud even when it doesn't bring cases by having its staff contact businesses to voluntarily stop ICOs.

A dozen have been put on hold, Cohen disclosed.

As another example of how virtual currency has become an agency-wide focus, SEC Investment Management Division Director Dalia Blass said cryptocurrency is near and dear to her policy agenda.